

TENNESSEE GENERAL ASSEMBLY
FISCAL REVIEW COMMITTEE



FISCAL MEMORANDUM

SB 720 – HB 980

April 21, 2017

SUMMARY OF ORIGINAL BILL: Defines “middle college program” as a program operated by an eligible public two-year postsecondary institution in partnership with a local education agency that permits students in the fall semester of their junior year of high school to enter the eligible public two-year postsecondary institution and earn both a high school diploma and an associate degree in two years.

Authorizes middle college students to receive a Middle College Scholarship (MCS), beginning in the 2019-2020 academic year, subject to certain eligibility requirements; authorizes such students to receive the Tennessee HOPE Scholarship at the time of transfer to an eligible four-year institution in pursuit of a baccalaureate degree, subject to certain eligibility requirements; and prohibits students who receive a Middle College Scholarship from receiving a dual enrollment grant.

FISCAL IMPACT OF ORIGINAL BILL:

Increase State Expenditures – Exceeds \$1,323,000/FY19-20 and Subsequent
Years/Lottery for Education Account

Other Fiscal Impact – Recurring funding in an amount exceeding \$1,323,000 will not be available for transfer from the Lottery for Education Account to the Tennessee Promise Special Reserve Account beginning in FY19-20 as a result of students receiving the Middle College Scholarship.

SUMMARY OF AMENDMENTS (005490, 007837): Amendment 005490 deletes and rewrites the bill such that the only substantive changes are to: require a student to obtain a minimum cumulative grade point average of 3.0 by the end of the student’s sophomore year to be eligible for the middle college program; to change the middle college award amount to \$600 per semester; and require the award of the Tennessee middle college scholarships to commence with the 2018-2019 academic year.

Amendment 007837 deletes and adds language to the bill as amended by amendment 005490 without making any substantive changes.

FISCAL IMPACT OF BILL WITH PROPOSED AMENDMENTS:

Increase State Expenditures – Exceeds \$288,000/FY20-21 and Subsequent Years/Lottery for Education Account

Other Fiscal Impact – Recurring funding in an amount exceeding \$288,000 will not be available for transfer from the Lottery for Education Account to the Tennessee Promise Special Reserve Account beginning in FY20-21 as a result of students receiving the Middle College Scholarship.

Assumptions for the bill as amended:

- The proposed MCS will be a two-year scholarship program for high school juniors beginning in the fall semester of 2018, or in FY18-19.
- The MCS award must be \$600 for full-time attendance each semester. Therefore, \$1,200 will be awarded each academic year.
- Based on information provided by the Tennessee Student Assistance Corporation (TSAC), it is estimated that a minimum of 300 middle college juniors will qualify for and receive the MCS beginning in FY18-19. These students are prohibited from participating in the dual enrollment grant.
- It is reasonably assumed that students who will participate in the MCS program would receive the dual enrollment grant in the same amount in absence of the proposed legislation. Therefore, the expenditures from the dual enrollment grant will be transferred to the MCS program upon passage of this legislation resulting in no fiscal impact for the first two years of the program.
- The recurring increase in state expenditures from the Lottery for Education Account (LFEA) will not start until the third year of the program (FY20-21) as a result of the MCS program being offered to new students in lieu of dual enrollment grants. Students who receive a dual enrollment grant amount for more than four dual enrollment courses over the junior and senior years will have their Tennessee Hope scholarship award reduced on a dollar for dollar basis under current law. The MCS will not reduce a student's Tennessee HOPE scholarship under the provisions of this legislation. As a result, students that would otherwise participate in the dual enrollment program under current law will be incentivized to transfer to the MCS program under the provisions of this legislation.
- Based on the information provided by TSAC, at least 80 percent of the 300 students, or 240, will attend a state four-year institution and would have an estimated \$1,200 dollars withheld from their Tennessee HOPE scholarship under current law. Such amount will not be deducted as part of the MCS as a result of this legislation. Therefore, the recurring increase in state expenditures from the LFEA beginning in FY20-21 is estimated to exceed \$288,000 (240 students x \$1,200 award reduction).
- It is assumed that the remaining 20 percent of such students, or 60 students, will attend out-of-state institutions and will not be impacted as a result of this legislation.

CERTIFICATION:

The information contained herein is true and correct to the best of my knowledge.

A handwritten signature in dark ink that reads "Krista M. Lee". The signature is written in a cursive, flowing style.

Krista M. Lee, Executive Director

/rbp